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*Guru of lending to the poor; The local is lekker mantra hits the nail on the head when it comes to how Muhammad Yunus operates The Sunday Independent (South Africa) July 12, 2009*

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The Sunday Independent (South Africa)

July 12, 2009  
e1 Edition

**SECTION:** Pg. 11**LENGTH:** 1605 words**HEADLINE:** Guru of lending to the poor;

The local is lekker mantra hits the nail on the head when it comes to how Muhammad Yunus operates

**BYLINE:** Maureen Isaacson**BODY:**

Muhammad Yunus, the 2006 Nobel Peace Prize winner, "the people's banker" and economist, came to deliver the seventh annual Nelson Mandela lecture in Joburg last week. Yunus has made his name through the microcredit scheme that began with the urge "to make a difference in a single life" and has allowed people in rural Bangladesh a way out of poverty.

The Grameen Bank, which he founded and with which he shared the Nobel prize, has reversed conventional banking practice by removing the need for collateral, and created a banking system "based on mutual trust, accountability, participation and creativity", he says. "Conventional banks focus on men, 97 percent of Grameen Bank's borrowers are women."

"Credit is a human right" is Yunus's stock phrase. He advocates "social business" - a direct attempt to breach the mire of global poverty.

"Are you a socialist?" I ask Yunus in a one-on-one interview after a press conference at the Nelson Mandela Foundation.

"No."

I remind him of his famous statement that "capitalism has degenerated into a casino".

He says: "Capitalism is a half-developed structure, because it takes only one piece of a human being - selfishness - and leaves out selflessness. We have created an imbalanced world. But if you take the selfishness out of it, you have improved capitalism."

Yunus seems pleased to have defied categorisation.

"How would you define yourself? Are you a microcreditist?"

He shakes his head. Yunus is eating lunch. He has a tight schedule and has no time to answer questions about how microfinance, which has been hailed by some as a revolution in banking - can end up as a debt trap for those it is intended to help.

At the press conference, Yunus says, "you need a dollar to catch a dollar". But some critics say Grameen Bank loans get high returns because its borrowers take out new loans to pay their old loans.

Azar Jammine, the chief economist at Econometrix, says the fact that Grameen Bank has not taken off in South Africa suggests that people do not view it as a prototype. African Bank, however, has become a major microfinancier. The bank has financed Zanele Mbeki's Women's Development Businesses.

Tami Sokutu, African Bank's executive director, says he sees a great future for microfinancing.

"It is an empowering financial model; it is a powerful thing for uplifting people who want small businesses," he says.

Goolam Ballim, chief economist at Standard Bank, says there is certainly a place for microlending in the economy.

"It can be a powerful force for nurturing the economy among start-ups," Ballim says. "The movement is taking off all over the world and in the past five years there has been an increase in microfinancing in South Africa."

Among the critics of the microfinancing movement is Thomas Dichter, of the Washington DC-based think tank the **Cato Institute**, who says the potential of microfinancing is grossly overestimated. He wrote in "Hype and Hope: The Worrisome State of the Microcredit Movement", a paper published by the Consultative Group to Assist the Poor, that microfinance was a diversion for developing countries, which should rather put their energies into improving governance and reducing corruption. Yunus's critics claim Grameen Bank is run on grants.

"How would you define your politics?" I ask him. He looks blank. He says: "I do not know what I am."

In 2007, Yunus started, then abandoned a political party - Nagorik Shakti (Citizen Power) - in Bangladesh. He explains that he was urged to do so when a caretaker government took over at a time when corruption was rife.

"I was being approached by corrupt politicians, so I decided not to do it. I am not a politician."

Yunus was born in Chittagong in Bangladesh, which was then Pakistan, on June 28, 1940. In the press conference that preceded our interview, he pledged to devote 67 minutes of Mandela Day to fighting poverty. He reiterated his pledge to confine poverty to the museums. He said he would reach beyond the Millennium Development Goal of the eradication of poverty by 50 percent by 2015. The goal was zero poverty. Poverty was the absence of rights, he said.

"Your approach to money and to poverty appears to have a spiritual dimension," I venture.

Yunus says that although he was born into a Muslim family, he is not spiritually inclined. "The people in Bangladesh do not see me as a religious man. They see me as a business person. They do not see my approach as spiritual. They think I am making money."

I am trying to marry criticism of the Grameen Bank with the poverty-free Neverland Yunus was shocked into envisioning by the great famine of 1974, in which thousands died.

He dropped the elegant economic theories he had learnt at Vanderbilt University in Nashville, Tennessee, where he earned a PhD in economics on a Fulbright scholarship, and introduced credit to women, who, up to then, had been entirely excluded from banking in Bangladesh. Not only did women thrive as a result, but their children benefited, too.

At first Yunus tried to get the bank to lend money to the poor, but the bank declared them not creditworthy.

"Some of these women said they had never used money in their lives," Yunus says. He acted as their guarantor until the demand became too great. In 1983 he founded Grameen Bank, which has branches all over the world.

"Our lending is very close to the real economy," he says. "People buy goats with their loans. Very little can go wrong. True microfinance helps people make money in a sustainable way. It has to be local."

The Grameen family has grown legs, which seek to create an enabling, poverty-busting environment. These include social businesses, in partnership with multi-national companies, designed to combine business savvy with social objectives.

Grameen Danone is the case Yunus likes to quote. Danone approached him, saying it wished to make a social contribution. The result is a yoghurt called Shoktidoi, designed to cater for the nutritional needs of Bangladeshi children at an affordable price. He says: "When it happened, journalists would ask me: 'Is Danone not using you?'"

"My answer: 'I am here to be used, please feel free.'"

Grameen-Veolia Water Ltd, set up with a French water company, created a small water treatment plant to provide clean drinking water in a country where, Yunus says, the water is poisoned.

BASF Grameen will allow the German chemical giant to provide cheap, treated mosquito nets.

Grameen Communications, through Village Internet Program, aims to reduce migration from villages to cities, creating IT-related job opportunities for the rural poor.

Yunus has recently called for greater IT awareness in Bangladesh, and Grameen Telecom aims to bring the information revolution to rural Bangladesh.

Yunus is particularly proud of Grameen Telecom's plans to connect villagers with doctors.

There are now an estimated 30 members of the Grameen family, including everything from telecommunications to agriculture and fisheries.

I ask Yunus: "You have described the downward slide of Bangladesh post-independence. In South Africa, you will talk to a range of people, but will you face up to the poverty and our own set of problems that arise out of this poverty - the frustration and the violence and the difficulties of debt?"

"We have been in Costa Rica, Guatemala, Canada, Kosovo, when the guns were not down. Each country is different. South Africa will be easy." Yunus clicks his fingers three times. "It's just like, one, two, three. I don't even come here. I send one of my little guys from the bottom.

"I sent someone to the US. He said: 'How am I going to do it?' I said: 'It's easy. Just do Grameen Bank.' It was a success. Bill Clinton asked me to start a Grameen Bank in Arkansas. Hillary Clinton, in her secretary of state confirmation hearing, talked a lot about microcredit."

In April, Reuters announced that Yunus - known as the "banker to the poor" for making small loans in impoverished countries - was now doing business in the centre of capitalism, New York.

In the past year, the first US branch of his Grameen Bank had lent \$1.5 million (R12.36m), reported Reuters, ranging from a few hundred dollars to a few thousand, to nearly 600 women with small-business plans in the city's borough of Queens. Grameen America said its repayment was more than 99 percent and that microcredit was one area the crisis had not affected.

"The crisis has not touched it. Still it is robust as ever," said Yunus.

Yunus is determined to make the most of his own geographic location, which he says is "lucky". He has said Bangladesh is fortunate to be flanked by two fast-growing neighbours - India and China. He subverts the popular psychology of Bangladesh, which, he says, if given the chance, will take over and flood our market with its goods.

"I say, we are lucky to have two giant economies. If we can hitch on to them, we can do well."

Yunus has received more than 100 awards. Why, I ask.

"People... like me. Because of what you people write about me. It is not what I say - it is about what I do. I have turned around Bangladesh."

Why was Yunus not awarded the Nobel prize for economics rather than for peace? He likes this question.

"Ah, that was between the two committees. There were rumours for years that I was to get either one of the two prizes."

Yunus's answers are pretty standard by now. He is a pleasant man, friendly, who can be gruff when he feels pressed. When I ask if he feels a sense of fulfilment, he looks astonished.

How does the global credit crunch affect microcredit?

"I look at this crisis as a grand opportunity. You are looking at a patchwork. The whole thing has to be redesigned so you can move to a new future."

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